

Instructions for Form 4913 2012 Michigan Corporate Income Tax (CIT) Quarterly Return

NOTE TO FISCAL FILERS

FOR A FEDERAL TAX YEAR ENDING IN 2012

The *2012 Michigan CIT Quarterly Return* (Form 4913) is used to report activity occurring after 2011. Form 4913 replaces the *2011 Michigan Business Tax (MBT) Quarterly Return* (Form 4548) previously provided to taxpayers. Taxpayers that have received personalized Form 4548 vouchers from the Michigan Department of Treasury (Treasury) should use only those vouchers applicable to activity occurring in 2011, and discard any Form 4548 that is printed for a quarter that begins and ends in 2012.

Read the instructions carefully before completing your quarterly return.

FOR A FEDERAL TAX YEAR BEGINNING IN 2012 AND ENDING IN 2013

Taxpayers will also use the *2012 Michigan CIT Quarterly Return* to report activity for their 2012-2013 federal tax year. Treasury will provide another personalized set of vouchers before the end of the first quarter of the taxpayer's 2012-2013 federal tax year.

CIT and the Michigan Business Tax

All business taxpayers, regardless of business type, may use Form 4913 to make their required estimated tax payments for the CIT. Follow general instructions for all business types and specific instructions as identified for C Corporations, Financial Institutions, and Insurance Companies.

NOTE: Under the rules of Public Act 39 of 2011, some taxpayers may continue to file Michigan Business Tax (MBT) and will use Form 4913 to pay their estimates. MBT filers should use the instructions for the *2011 MBT Quarterly Return* (Form 4548) online at www.michigan.gov/mbt.

Under PA 39 of 2011, the MBT will be repealed when the last certified credit or carryforward based on that credit is claimed. Taxpayers may choose to continue to file under the MBT to keep certain certified credits.

A standard taxpayer with a federal fiscal year beginning in 2011 and ending in 2012 must file two short period returns, one to report its final 2011 MBT liability, for the period from the beginning of its 2011-12 fiscal year through December 31, 2011, and the other to report either its initial CIT liability, for the period from January 1, 2012, to the ending of its 2011-12 fiscal year, or, for taxpayers electing to continue MBT to claim certain certified credits, a 2012 MBT return for the period from January 1, 2012, to the ending of its 2011-12 fiscal year.

Estimated payments for the second short period (beginning

January 1, 2012) must be filed using Form 4913, regardless of which type of annual tax return will be filed. The election to continue with MBT occurs at the time of the filing of the annual return. Any payments applied to CIT will be credited properly to MBT should an MBT annual return be filed.

CIT Estimated Tax Payments

The CIT consists of a franchise tax for financial institutions, a premiums tax for insurance companies, and an Income Tax for C Corporations and entities taxed as C Corporations for federal income tax purposes.

Taxpayers with an annual combined CIT liability reasonably expected to exceed \$800 must make quarterly estimated tax payments. If the tax year was less than 12 months (e.g., the business was opened or closed during the year), annualize the tax to see if estimates must be filed.

The sum of estimated tax payments must equal at least 85 percent of total liability and the amount of each payment must reasonably approximate the tax liability incurred during the period. For the first year of CIT, there is no prior year safe harbor.

CIT estimated tax payments are not required for taxpayers with a short year of less than four calendar months.

NOTE: If the taxpayer has certified credits **AND** is choosing to file under MBT, and the preceding year's tax liability under the MBT Act, including surcharge, if applicable, was \$20,000 or less, the taxpayer can submit four equal installments, the sum of which equals the immediately preceding tax year's tax liability ("Four equal installments" describes the minimum pace of payments that will satisfy this safe harbor. Payments at a more accelerated pace also will qualify.). If the prior tax year was less than 12 months, annualize the prior year's tax liability for purposes of both the \$20,000 ceiling and calculating the quarterly payments due under this method. Reliance on the prior year's tax liability as a means to avoid interest and penalty charges is only allowed if you had business activity in Michigan in that prior year. In addition, if your business was not in existence in the preceding year, no safe harbor exists. In such a case, estimates must be based on 85 percent of the MBT liability for the current year.

Special Instructions for Unitary Business Groups

Under the CIT statute, the term "*taxpayer*" can include a C Corporation, insurance company, financial institution, or Unitary Business Group (UBG). A UBG is a group of United States persons, other than a foreign operating entity, one of which owns or controls (directly or indirectly) more than 50 percent of the ownership interests with voting or comparable rights of the other United States persons and that has business activities resulting in a flow of value between or among persons in the group, or has business activities that are integrated

with, are dependent upon, or contribute to each other. All CIT estimated tax payments for a UBG should be made by the Designated Member.

A CIT return is due if the taxpayer's gross receipts before intercompany eliminations are \$350,000 or greater for the tax year (annualized if a short period). For more information on the control and relationship tests for UBGs, see the Revenue Administrative Bulletins on the Michigan Department of Treasury (Treasury) Web site at www.michigan.gov/taxes. Click on the "Reference Library" link on the left side of the page.

When to File CIT Quarterly Tax Returns

For a calendar year taxpayer, quarterly returns are due the 15th day of April, July, October, and January. For a fiscal year taxpayer, quarterly returns are due the 15th day of the first month following the end of the quarter. For any tax year that includes an estimated tax payment period of less than three months, the quarterly return for that period is due on the 15th day of the month immediately following the final month of the estimated tax payment period.

NOTE: Insurance companies must file on a calendar year basis.

How Much to Pay

C Corporations and Financial Institutions. Compute quarterly estimated tax payments for CIT based on the tax liability for the period.

Insurance Companies. Compute quarterly estimated tax payments on the greater of the amount of tax imposed under MCL 206.635-643 (CIT) or MCL 500.476a (Retaliatory tax).

All Taxpayers. Penalty and interest for underpaid estimated tax payments will not be charged if payments are made on time and meet the requirements for the amount per quarter as stated under the heading CIT Estimated Tax Payments in these instructions.

NOTE: For a taxpayer that calculates and pays estimated tax payments for federal income tax purposes pursuant to section 6655(e) of the Internal Revenue Code (IRC), that taxpayer may use the same methodology used to calculate the annualized income installment or the adjusted seasonal installment, whichever is used as the basis for the federal estimated tax payment, to calculate the estimated tax payments required each quarter for CIT.

Estimating Tax Liability

C Corporations

CIT is due only if a taxpayer's apportioned or allocated gross receipts are \$350,000 or greater for the tax year (annualized, if a short period).

For C Corporations with apportioned or allocated gross receipts of \$350,000 or more (annualized, if a short period), CIT is comprised of a 6.0 percent tax on the corporate income tax base. The apportionment for C Corporations is based on a sales factor, utilizing rules set in statute.

For most C Corporations, the corporate income tax base is that part of federal taxable income derived from business activity, with certain adjustments. *Federal taxable income* means taxable income as defined in IRC § 63, except that federal taxable income shall be calculated as if IRC § 168(k) and IRC § 199 were not in effect.

Additions (to the extent deducted or excluded from federal taxable income) include:

- Interest income and dividends derived from obligations or securities of states other than Michigan.
- Taxes on or measured by net income and the tax imposed under CIT.
- Any net operating loss carryback or carryover.
- Royalty, interest, or other expense paid to a person related to the taxpayer by ownership or control for the use of an intangible asset if the person is not included in the taxpayer's UBG.

Subtractions (to the extent included in federal taxable income) include:

- Dividends and royalties received from persons other than United States persons and foreign operating entities.
- Interest income derived from United States obligations.

Some C Corporations may find that business income may be approximated using monthly profit and loss statements. To the extent that a C Corporation's tax base arises from interests in a flow-through entity that is making withholding payments on behalf of the Corporation, the Corporation may choose to reduce its estimated payments accordingly. Ultimately, however, the Corporation is responsible for adequate, timely payments toward its corporate income tax liability. Therefore, if the flow-through entity fails for any reason to make the expected withholding payments, causing the Corporation's account to be underpaid, the Corporation may be assessed penalty and interest for underpaid estimates.

NOTE: Withholding payments by a flow-through entity will be credited to the corporate owner's account for the Corporation's tax year in which the flow-through entity's tax year ends. Flow-through withholding is paid quarterly, but is credited to the corporate owner annually, after the flow-through entity files its *Annual Withholding Reconciliation Return* (Form 4918).

Insurance Companies

Under CIT, insurance companies are subject to a 1.25 percent tax on gross direct premiums written, with no minimum filing threshold, on property or risk located or residing in Michigan with certain exclusions, including:

- Premiums on policies not taken.
- Returned premiums on canceled policies.
- Receipts on sales of annuities.
- Receipts on reinsurance premiums assumed if the tax has been paid on the original premiums.
- The first \$190,000,000 of disability insurance premiums written in Michigan, other than credit insurance and disability

income insurance premiums, reduced by two dollars for each dollar by which the gross direct premiums from insurance carrier services, both within and without Michigan, exceeds \$280,000,000.

Credits may be claimed against the tax for amounts paid to the following, using the assessments from the immediately preceding tax year:

- Michigan Workers' Compensation Placement Facility
- Michigan Basic Property Insurance Association
- Michigan Automobile Insurance Placement Facility
- Property and Casualty Guaranty Association
- Michigan Life and Health Guaranty Association.

In addition, credits are available for 50 percent of examination fees paid during the tax year, and 100 percent of the amount paid during the tax year pursuant to Section 352 of the Workers' Disability Compensation Act of 1969, as certified by the director of the Bureau of Workers' Disability Compensation.

Foreign and alien insurers may be liable for the Retaliatory Tax under Section 476a of the Insurance Code and must look to the laws of their state of incorporation (or port of entry) to make the appropriate calculation. Insurance companies must pay the greater of the CIT or the Retaliatory Tax.

Financial Institutions

In lieu of other taxes imposed by CIT, every financial institution with nexus in Michigan is subject to a franchise tax imposed on its tax base, after allocation or apportionment, at the rate of 0.29 percent, with no minimum filing threshold.

A *financial institution* is defined as:

- A bank holding company, a national bank, a state chartered bank, a state chartered savings bank, a federally chartered savings association, or a federally chartered Farm Credit System institution.
- Any entity, other than an insurance company subject to the tax imposed under Chapter 12 of the CIT Act, who is directly or indirectly owned by an entity described in the preceding bulleted item and is a member of the UBG.
- A UBG made up of the entities described above.

The tax base of a financial institution is the financial institution's net capital, which is equity capital, as computed in accordance with generally accepted accounting principles, with certain adjustments. An addition is required for any amount in excess of 125 percent of the minimum regulatory capitalization requirements of an insurance company subsidiary. (The amount capitalized would be carried on the books of the insurance company subsidiary as an asset.) Deductions are allowed for the average daily book value of United States and State of Michigan obligations.

NOTE: If a financial institution does not maintain its books and records in accordance with generally accepted accounting principles, net capital may be computed in accordance with the books and records used by the financial institution, so long as

the method fairly reflects the financial institution's net capital for purposes of CIT.

Net capital is determined by averaging the financial institution's net capital as of the close of the current tax year with the preceding four tax years. This calculation is modified if a financial institution has been in existence for less than five tax years. The statute also provides additional guidance for mergers and acquisitions.

The tax base of financial institutions whose business activities are subject to tax both within and outside Michigan is apportioned by the gross business factor, utilizing rules set in statute. *Gross business* means the sum of the following:

- Fees, commissions, or other compensation for financial services.
- Net gains, not less than zero, from the sale of loans and other intangibles.
- Net gains, not less than zero, from trading in stocks, bonds, or other securities.
- Interest charged to customers for carrying debit balances of margin accounts.
- Interest and dividends received.
- Any other gross proceeds resulting from the operation as a financial institution.

All Taxpayers

Additional details regarding the calculation of the tax may be found in the forms and instructions provided on the Treasury Web site at www.michigan.gov/taxes. The Web site contains information taxpayers may find helpful in determining their estimated tax liability.

Using Personalized Estimate Returns

If you previously made estimated returns, Treasury will send you personalized estimate returns. Subsequently, Treasury will continue to send them to you if you make estimated tax payments.

- File the original returns and keep copies for your file. (The personalized returns are read by an optical scanner which can process only these original returns.)
- Use the personalized returns whether you fill them out yourself or get help from a tax preparer.
- Personalized returns shorten the processing time of your payment and reduce the chance of an error in your account.
- Do not use personalized returns if information on the return is incorrect and **DO NOT USE OTHER TAXPAYERS' RETURNS OR PHOTOCOPY THEIR FORMS**. If you do, your payments could be applied to the wrong account.
- If you use software to prepare your return, the software may create a personalized return for you.

If you lose a return or have not made estimated tax payments before, visit www.michigan.gov/taxes to obtain a form.

Combined Sales, Use, Withholding, and Corporate Income Tax Payments

You may make CIT monthly estimated tax payments with your Sales, Use, and Withholding Taxes return. If you choose this convenient option, you only need to file one form and write one check for all the taxes you pay. If filing monthly using the *Combined Return for Michigan Taxes* (Form 160), monthly payments may be filed by the 20th day of the following month. For example, a calendar year taxpayer may file monthly CIT estimated tax payments using Form 160 on February 20, March 20, and April 20 rather than a single quarterly payment on April 15 provided the combined estimated tax payments for those months are calculated using the instructions provided with the form. For taxpayers electing to make **monthly** remittances by Electronic Funds Transfer (EFT) where the requirement to file a paper Form 160 has been waived, CIT estimated tax payments remain due by the 20th day of the month following the month's end. The estimated CIT for the quarter must also reasonably approximate the liability for the quarter.

NOTE: Your debit transaction will be ineligible for EFT if the bank account used for the electronic debit is funded or otherwise associated with a foreign account to the extent that the payment transaction would qualify as an International ACH Transaction (IAT) under NACHA Rules. Contact your financial institution for questions about the status of your account. Contact Treasury's Electronic Funds Transfer Unit at (517) 636-6925 for alternate payment methods.

Reporting Payments

Regardless of which form is used to file estimated CIT payments, report all CIT estimated tax payments on the annual CIT return.

NOTE: An annual return must be filed to claim a refund.

Penalty and Interest

Penalty is 5 percent of tax due for the first two months by which the payment is late. Penalty increases by an additional 5 percent per month, or fraction thereof, after the second month to a maximum of 25 percent.

If the sum of the estimated tax payments is less than 85 percent of the annual liability or the amount of the estimated tax payment doesn't equal the quarter's liability, interest will accrue. The safe harbor based on the prior year's tax liability is available to a taxpayer that pays MBT for 2012, but is not available to a taxpayer in its first CIT tax year.

The interest rate is adjusted by Treasury on January 1 and July 1 of each year to 1 percent above the adjusted prime rate. For a complete list of interest rates, see RAB 2011-4 on the Treasury Web site at www.michigan.gov/taxes.

Filing Quarterly Tax Returns

Make your check payable to "State of Michigan" and write your Federal Employer Identification Number (FEIN) or the Michigan Treasury (TR) assigned number, the tax year, and "CIT Q" on the front of the check. Mail your check with the CIT Quarterly Return for the applicable quarter. Do NOT staple the check to the return. Mail the check and return to:

Michigan Department of Treasury
PO Box 30774
Lansing MI 48909-8274